

Wisco Pop! – a case study on building entrepreneurial success with limited resources

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ABSTRACT

With passionate entrepreneurial drive and desire to produce products that consumers could feel good about, the Ashleys, with limited formal business education, started Wisco Pop!, producing fresh, natural, and organic carbonated beverages. Limited personal financial resources required creative non-conventional financing to grow the business. Wisco Pop! was able to secure a suitable production facility and finance growth via a number of grants and a Kickstarter crowd-sourcing campaign. The business has greatly expanded its customer reach with a regional distribution partner and sales are on track to double over the previous year. Wisco Pop! now faces challenges in continuing growth and increasing production capabilities.

Keywords: soda pop, entrepreneur, Kickstarter, crowd sourcing, organic



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INTRODUCTION

Austin Ashley was contemplating how best to take his Wisco Pop! business to the next level. As he looked back on the last year, things were progressing and future possibilities for business growth were encouraging. The vision of creating a business that produced soda drinks that people could feel good about consuming was proceeding at a good pace and business was on track to more than double in sales over the previous year. Successful fund-raising supported acquisition of new brewing and bottling equipment, expanding production potential and efficiencies. The Wisco Pop! Real Fresh Soda line had been well-received and was now being distributed at some 150 outlets in the region as well as via their online Web store. His partners, wife, Hallie Ashley, and Zack Mathes were a good team, each contributing in their areas of passion and talent to keep operations on track.

There were concerns, however, on how best to continue growth and to meet demand if growth were to really take off, for example, if efforts to get into Whole Foods stores in the region were successful. While Wisco Pop! was profitable at the current level of sales, it had not yet grown to a level that went beyond meeting fairly basic business and owners' living needs. Would the next level of growth best be via an expanded product line, wider geographical coverage, or other ways of opening distribution channels? And sales had been very seasonally oriented, substantially higher in warm than cold seasons. He wondered if Wisco Pop! would be able to generate enough funds internally to undertake investments needed in operations and marketing to support growth? (Ashley, 2015)

BEGINNINGS

Austin's initial exposure to "business" and entrepreneurial endeavors began in high school. He played guitar in a band and got involved at the time with a partner in booking bands and acts where he grew up in Corpus Christy, Texas. Forgoing further formal business studies and college, he later moved to Colorado where he worked in restaurants and gained experience in the world of food and beverages. He pursued interest in getting into micro-brewing, initially artisan beers, and this led to experimenting with other craft beverages including small-batch ginger beers and fermented fruit bubbliies (Wisco Pop, 2016).

He later moved to Madison and then Viroqua—a rural town in southwest Wisconsin of 4500—where his wife Hallie's brother, Caleb Nicholes, was in the early stages in developing an entrepreneurial coffee micro-roasting business, Kickapoo Coffee (Schreder, 2011). Hallie worked with her brother in Kickapoo Coffee in areas of bookkeeping and customer service. Ashleys gained firsthand insight into what it takes to grow a successful entrepreneurial business.

Austin continued experimenting at home with small-batch ginger beers and other fruit-based soda bubbliies, reading whatever he could find on soda-making and talking to others in the business. He gradually perfected recipes and processes. As results of the finished product improved, friends and family wanted more. He was finding it difficult to keep up with growing demand. It seemed a good time to make what had been more of a hobby into a real business. He and Hallie launched Wisco Pop! in July 2012. Initially they sold their limited production in kegs to local restaurants and by the glass at local farmers markets. And it was at a farmers market where they met Zack Mathes who had recently launched his own company, HomeGrown Pizza, a "seed-to-plate, wood-fired pizza" catering company (Home Grown Pizza, 2016). Zack resonated

with the vision shared with the Ashleys in supporting a sustainable agrarian economy and joined Wisco Pop! in 2013 (Ashley, 2015).

Growing the business at this point required investment in expanded brewing and bottling capabilities and facilities suitable for a food-based business. But this would require capital outlay well-beyond the current financial resources of the partners.

CREATIVE FUND RAISING

Fortunately, a new facility, the Food Enterprise Center, had recently opened in Viroqua. A 100,000 square foot structure on 15 acres of land—formerly a National Cash Register (NCR) facility—was acquired by the Viroqua Economic Development Association (VEDA). It had gone through extensive rehabilitation and reconfiguration into a facility designed specifically as a business incubator for food-related businesses. Infrastructure and capabilities in this facility included loading docks, ample parking, value-added kitchens and custom built-out tenant spaces and, importantly, administrative and business services support through VEDA including business consulting and help in grant writing and obtaining non-conventional financing (VEDA, 2016).

Moving to this facility from what had until then been essentially a home-based business, seemed a huge undertaking. After some hesitation in making such a commitment and the associated financial challenges, Ashleys and Mathes took the leap and in 2013 committed to moving to the Food Enterprise Center.

Up until this point financial needs had been met by limited personal finances. Ashley cashed in his \$6000 retirement IRA and Mathes contributed a like amount when he joined as a partner. Ramping up production required substantial investments in brewing, bottling and packaging equipment. As a first step and with assistance from VEDA, Wisco Pop! in late 2013 launched a Kickstarter campaign to raise needed funds.

Kickstarter bills itself as: “an enormous global community built around creativity and creative projects. Over 10 million people, from every continent on earth, have backed a Kickstarter project.” Their stated mission is: “to help bring creative projects to life.” (Kickstarter, 2016).

The Kickstarter campaign involves setting an all-or-nothing goal in the amount and time frame for a fund-raising drive. Interested supporters provide a credit card with their pledged amount and if the goal is not reached in the specified time frame then there is no charge to pledgers. Wisco Pop! set its goal at \$19,999 over the course of about 3 months. Supporters in a Kickstarter campaign are typically offered a variety of options that include something in return for their pledges. For Wisco Pop! rewards for various pledge amounts ranged from a postcard with “Wisco Poptail Recipes” for \$5 or more, to a 32 oz. bottle of Wisco Pop! shipped to a contributor for \$38 or more, to—at the highest amount of \$2000 or more—an organic wood-fired pizza and soda party for up to 50 people within 3 hours of Viroqua (Kickstarter, 2016).

Wisco Pop’s Kickstarter campaign was a success with 301 backers from near and far pledging a total of \$24,056, including 3 that met the \$2000 threshold for a pizza and soda party (Kickstarter, 2016)! The net amount from the Kickstarter campaign, after the expense of the various rewards, was about \$17,000 (Ashley, 2015).

VEDA was instrumental—largely via their expertise in applying for grants—in providing additional funding from a number of sources including matching grants of \$43,500 from the U.S. Department of Agriculture (USDA) and \$15,000 from the Wisconsin State Department of Agriculture Trade and Consumer Protection. VEDA helped arrange a number of additional

grants from other local organizations including local gas and electric providers, Organic Valley (a local dairy and food cooperative) and several private individuals (Neidert, 2014). Funding from all sources, totaling approximately \$80,000, allowed Wisco Pop! to now move to the next level: making Wisco Pop! available for distribution and consumption in bottles.

PRODUCTS

From the very beginning in experimenting with brewing bubbly soda drinks, Austin was intent on using natural ingredients, avoiding things like high-fructose corn syrup, ascorbic acid and sodium benzoate, and utilizing fresh locally-sourced products—whenever possible—for their juices, honey and maple syrup and other spices and flavors. For example, cherry juice for Cherry Wisco Pop! is from Door County in Wisconsin and honey from local Wisconsin sources. Initial flavors for sodas included ginger ale, cherry and root beer. As a differentiating factor in the micro-brewing soda industry, Austin aimed for the “organic” designation for his drinks. He believed this would distinguish Wisco Pop! from a fairly crowded field of other “natural” soda pop producers. This would require some adjustments in ingredients as he discovered, for example, that honey could not gain a classified organic designation as many honey producers supplemented bee feeding with corn syrup (Ashley, 2015).

In early 2016 Wisco Pop! committed to producing organic beverages, phasing out honey and utilizing organic sugar as their sweetener. They applied for certification and in May 2016 became a USDA certified organic producer for their cherry, strawberry and ginger products. All ingredients for these sodas are now organic including the fruits, ginger and flavorings like vanilla and cinnamon. They discontinued root beer until such time that they could source organic ingredients for this flavor and added a new organic sugar-free sparkling water beverage: Lemon Sparkle (Brozyna, 2016).

PRODUCTION

Because Wisco Pop! contains no preservatives, it has a limited shelf life and thus production is based on current demand. A typical weekly schedule starts with processing fresh ingredients: squeezing juices and peeling flavorings such as ginger and cinnamon. Fruit and flavoring Ingredients along with water and sugar are then combined in a 217 gallon brewing vat where the mixture is boiled in an extraction process. The extract is chilled overnight, carbonated (addition of carbon dioxide gas) the next morning and prepared for bottling, labeling and packaging. Bottling and labeling is on a two-head filling line at 12 bottles per minute and the batch is then packed into 94 24-bottle cases and put into refrigerated storage. Production and distribution is coordinated with orders on hand (MOSA, 2016) (Adams, 2016). Current production capacity would support annual sales of about \$500,000 (Ashley, 2015).

MARKETING AND DISTRIBUTION

Early on, Wisco Pop! relied largely on personal marketing efforts via farmers markets and other local food and party events. Once available in bottles, Wisco Pop! could be distributed much further afield. By mid-2016 it was being sold in some 150 regional locations within about 250 miles of their Viroqua production facility, including Wisconsin, Minnesota, Illinois and Iowa. The biggest markets were with health food stores and coops and with coffee houses and

specialty restaurants. The Wisco Pop! Web site includes a virtual list of their customers around the region. Wisco Pop! also has an Internet store where customers can order and have products directly shipped (Wisco Pop, 2016).

Wisco Pop! has relied mostly on word-of-mouth to expand demand. The organic classification increases appeal to those willing to pay more for “organic” and recent changes to labeling are aimed at giving Wisco Pop! packaging more visual appeal. So far, advertising expenditure has been minimal. There are no trade magazines that target just soda. They have contracted with a consultant to help develop effective advertising messaging via social media such as Facebook and Twitter.

Because Wisco Pop! is a perishable product, distribution beyond the Viroqua vicinity needed to be via refrigerated carriers that could serve their regional market. A breakthrough came with a distribution agreement with Cooperative Partners Warehouse, a Minneapolis area distributor that serves natural food stores, cooperatives and restaurants in the region. Before this agreement, Austin stated: “We were driving in an old painted Toyota van, driving all over the place. We wanted out of delivery, and Cooperative Partners helped us to that.” (MOSA, 2016).

FINANCES AND GROWTH

Given the quality of fresh, organic ingredients in its products, the production costs for Wisco Pop! are substantial compared to most other beverages. Austin estimates the typical costs of goods sold (ingredients, packaging and direct labor) to be about \$10-12 for a case (24 bottles) of Wisco Pop! The price to the distributor is about \$31 and to the retailer, about \$41 per case or about \$1.70 per bottle. A typical price at retail is \$2.50 to \$3.00 per bottle. Wisco Pop! generally receives 30 day payment terms from suppliers. Customers are on a 15 day pay cycle. This helps cash flow. The business did take out a \$20,000 loan mainly to help cover purchase of packaging supplies. Wisco Pop! has experienced steady growth, particularly since beginning bottle production going from about \$200,000 in sales in 2015 and is on track to hit about \$350,000 in 2016 and Austin’s goal was to double sales again in the next year. (Ashley, 2015)

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